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ABSTRACT

The characteristics and qualifications of chief financial officers (CFOs) of large public universities, the internal organizational relationships of CFOs, and their responsibilities were studied in 1983. Findings of a similar 1973 study are also considered. A total of 135 usable questionnaire responses provided information on age; sex; length of time as CFO; previous professional experience; career goals; educational level; specialization in highest degree; selection factors; relationship with the president, governing board and chief academic officers; areas of responsibility; and title of position. Respondents also indicated the scope of the CFO's responsibilities and the variables that affected the scope of responsibility, including enrollment size and student composition, single- or multi-campus structure, and the CFO's qualifications. It was found that most CFOs carry the words "vice president" in their title. In one-fifth of the colleges, business and financial responsibilities were shared by two or more vice presidents. Academic training for CFOs seemed to be mainly in business administration and management, although several respondents had specialized in educational administration. Additional findings and eight recommendations for further study are presented. (SW)

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The Role of the Chief Financial Officer In Large Public Universities

by WILLIAM A. JENKINS

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The primary aim of this investigation was to study the role of the chief financial officer (CFO) in large public universities. More specifically, the study investigated the characteristics and qualifications of those who hold the office, the internal organizational relationships of the CFO, the responsibilities associated with the position, and the relationship between situational and structural variables and the CFO's scope of responsibility. A secondary aim of this study was to compare the results with this author's 1973 and 1978 studies of the same subject.

Until recently, few studies had examined the role of high-ranking administrators in higher education. In particular, the role of the CFO remained one of the least known facets of the modern university. The significance of this research is indicated by the purposes it serves: (1) to establish a profile of the position of CFO in large public universities; (2) to provide information about the position to interested persons in higher education; (3) to facilitate more efficient operations in universities; and (4) to add to the research completed in 1973 and 1978.

A review of the literature revealed that the position of CFO is one of three or four major executive coordinates reporting to the chief executive. The literature also indicated that there are 23 possible areas of responsibility for CFOs.

The initial population consisted of CFOs from 171 universities. Usable responses were received from 135 persons, or 78.95 percent of the population. The questionnaire consisted of 18 items. Accompanying the questionnaire were a letter of introduction from the author and a letter of support from NACUBO. The questionnaire secured information about 14 descriptive variables relevant to the CFO, including title of the position, division of responsibilities, age, sex, length of time as CFO, previous professional experience, career goals, education level, specialization in highest degree, selection factors, relationship with the president, relationship with the governing board, relationship with the chief academic officer, and areas of responsibility.

The questionnaire also secured information related to the CFO's scope of responsibility and the independent variables that appear to have some relationship to the scope of responsibility. These independent variables included, for the institution, total student enrollment size, student composition, structure (single- or multicampus), and size of total institutional budget; and, for the CFO, length of time as CFO, educational level, relationship of CFO's date of appointment to president's date of appointment, relationship to the president, relationship to the governing board, and relationship to the chief academic officer.

Analysis of the data attained from the questionnaire was in two distinct parts. Descriptive statistical techniques were employed to examine the answers to the 14 questions in the study. Stepwise multiple regression procedures were used to analyze data on the scope of responsibility for each subject of the study. The results follow:

William A. Jenkins is vice chancellor for administration at Vanderbilt University. He is the author of The Role of Chief Financial Officers in Large Public Institutions (1983), *a continuation of the author's 1973 and 1978 versions of the study (the latter excerpted in the September 1979* Business Officer*) The study examines the role of the chief financial officer in terms of his or her relationships and scope of responsibility. This article is based on the 1983 study's chapter 5, "Summary, Conclusions, Implications, and Recommendations."*

1. Findings indicate that the CFO of large public universities usually carries the title of vice president. The two most common titles in all studies were vice president for business and finance and vice president for business affairs. However, the author's three studies indicate that there is little agreement on the exact university title of the CFO.

2. At 20 percent of the campuses (compared to 30 percent in 1978), business and financial responsibilities were divided between two or more vice presidents, meaning that some CFOs do not have responsibility for certain areas such as nonacademic personnel, physical plant, safety, and security.

3. It was learned that most CFOs are well along in their careers (average age was almost 50). The results show that the CFO position is dominated by males, with only slight improvement since 1973. The average length of time CFOs have been in their present position is about eight and one-half years.

4. In all three studies, the primary career orientation of CFOs before their appointment was found to be college business administration. This indicates that promotion through the college and university business administration ranks is the most common route to becoming a CFO. While a great number of CFOs appear to have reached their ultimate career goal, there is a clear trend in that many aspire to become, for example, a college president or a CFO at a larger or more prestigious institution.

5. Most CFOs have attained at least the master's level in their formal education, and many have doctorates. The educational level of CFOs has risen significantly since the 1973 and 1978 studies. The specialization for most CFOs was found to be business administration or management. The only other notable area of specialization for CFOs was educational administration.

6. Most CFOs were selected on the basis of their previous university experience. This is in agreement with the finding on primary career orientation. The importance of university administrative experience has increased significantly since the 1973 study.

7. All three studies indicated that the CFO's most common relationship to the president is as one of three or four officers who with the president share major institutional concerns and make decisions on matters affecting university policies and programs.

8. The relationship of the CFO to the governing board varied among institutions. Most frequently, the CFO's only contact with the board was through special reports that the president might request. The next most common relationship found the CFO reporting directly to the governing board on business or financial matters and performing specified services as a responsible executive, secretary, or treasurer. All three studies showed these results.

9. The greatest number of respondents in 1983 reported that the chief academic officer was at a higher organizational level than the CFO or was at least considered the major officer reporting to the president. In 1973 and 1978 a majority of CFOs responding said that they were on the same organizational level as the chief academic officer and that the latter and the CFO were equally involved in most institutional decisions. This change should be reviewed carefully.

10. CFOs usually have complete responsibility for the operational areas of accounting, budgeting, bursar operations, indirect cost rate determination, internal control, investment management, payroll, physical plant, purchasing, and risk management and insurance. Operational areas for which the CFO usually has at least major responsibility are auxiliary enterprises, safety, security, nonacademic personnel administration, staff benefits, and facilities planning.

CFOs share responsibility for grant and contract administration and for the operational area of methods coordination. Student financial assistance is usually a minor or shared responsibility of the CFO. Fund raising and institutional research are either minor responsibilities of the CFO or are not his or her responsibilities. Because of the distribution of responses by CFOs, the areas of data processing and legal management were not classified in any of the designated categories. The CFO's degree of responsibility varied widely in these areas (a result similar to that obtained in the 1973 and 1978 studies).

11. Major hypothesis number one was rejected. It examined the relationship between the CFO's scope of responsibility and any of the six institutional and personal variables—total student enrollment, student composition, structure (single- or multicampus), total institutional budget, length of time as CFO, and educational experience. None of these variables indicated a statistically significant relationship to the CFO's scope of responsibility in the 1983 study. Length of time as CFO and educational level showed a slight relationship in the 1978 study.

12. Major hypothesis number two was also rejected. It examined the relationship between the CFO's scope of responsibility and any of the four relationship variables—relationship of the CFO's date of appointment to the president's date of appointment, relationship to the governing board, relationship to the president, and relationship to the chief academic officer. In all three studies there was a significant relationship between the CFO's scope of responsibility and the comparative relationship of the CFO and the chief academic officer to the president. A relationship between the CFO's scope of responsibility and his or her relationship to the president was also found in the 1978 and 1983 studies. A significant portion of the variance can be accounted for by these two relationship variables. The 1983 study showed a modest relationship between the CFO's scope of responsibility and his or her relationship to the governing board.

13. Major hypothesis number three, which tested all of the variables of hypotheses one and two together, was also rejected. The reason was the statistically significant relationship between the CFO's scope of responsibility and (1) the

comparative relationship of the CFO and the chief academic officer to the president, (2) the CFO's relationship to the president, and (3) length of time as CFO.

Conclusions and Implications

It seems abundantly clear that the CFO is one of the major executive coordinates reporting to the chief executive of an institution. Also, all three studies indicate that most CFOs carry the words "vice president" in their title.

In one-fifth of the institutions, business and financial responsibilities are shared by two or more vice presidents. Because of the complexities of and external demands on today's universities, this division will probably be more prominent at large universities.

Academic training for CFOs seems to be mainly in business administration and management. However, several of the respondents indicated that their specialized degree was in educational administration. A growing majority of CFOs have a master's degree. The level of academic attainment may become an increasingly important selection factor for the position of CFO. This study indicates that higher academic degrees are becoming an essential part of the training of potential CFOs.

The study also shows that to attain the position of CFO, it is becoming more necessary to gain experience in university business administration. For this reason most CFOs do not reach the position until their late forties or early fifties. While many respondents indicated that the position of CFO was their ultimate goal, some expressed a desire to become a college president or to move to a larger or more prestigious institution. The 1983 study showed the beginning of a trend toward career goals other than the position of CFO. The position is still convincingly dominated by males. With today's equal opportunity laws and regulations, institutions must address this potential problem area.

The CFO appears to be one of three or four officers sharing institutional concerns and making decisions affecting university policies and programs. However, while in most instances these officers were of equal importance relative to the president in the 1973 and 1978 studies, the 1983 study showed a growing likelihood that the chief academic officer will be the officer reporting to the president.

The CFO's relationship to the governing board is characterized by his or her serving as an expert only on matters of a financial or fiscal nature. The responses indicated that the CFO's expertise may be utilized by the governing board either directly, or indirectly through the president.

There was a remarkable similarity among the responsibilities recorded in 1973, 1978, and 1983, though several significant changes have occurred. Budgeting has definitely become more of a responsibility for the CFO. Also, it appears that the CFO has assumed much more responsibility in the area of facilities planning since 1973 and that other administrative officers are beginning to have increased responsibilities in the areas of grant and contract administration and student financial assistance.

The findings of all three studies indicate that the comparative relationship of the CFO and the chief academic officer to the president is of real significance in terms of the CFO's scope of responsibility. It appears that if the CFO is on the same organizational level as the chief academic officer, he or she carries greater responsibility than a chief academic officer who is at a higher organizational level or who is the major officer reporting to the president. Thus, the relative relationship of the CFO and the chief academic officer to the president seems to be an important factor in determining the CFO's decision-making power and scope of responsibility. This study and the 1978 study also indicate a strong relationship between the CFO's relationship to the president and the CFO's scope of responsibility. It appears that the more important the role of the CFO on the president's staff, the greater is the CFO's scope of responsibility. While there are some other tendencies, the other nonsignificant variables seem to be of a constant nature in relationship to the CFO's scope of responsibility.

Several other implications emerged from examinations of other higher education role studies. While Wombles (1971) concludes that the chief academic officer is second in command to the president, this author's 1973 and 1978 studies indicate that the chief academic officer and the CFO are usually on the same organizational level. The 1983 study, however, begins to verify Wombles's conclusion. As in Hargrove's (1971) study, the author's 1983 investigation may prompt some CFOs to reexamine their role. For instance, some CFOs may attempt to expand or contract their responsibilities after reviewing the author's 1983 profile. Also, the 1983 study may provide illuminating information for potential CFOs and other interested administrators and officials.

Results of the author's studies are in agreement with the Robbins and Nance (1965) study concerning the number of responsibilities and functions of the CFO. The Robbins and Nance study and the author's 1983 study indicate that the CFO has widely varying areas of responsibility. Robbins and Nance were concerned with the lack of utilization of CFOs in data processing operations. This author's three studies show that many CFOs are either involved or play only a minor role in data processing operations. While Robbins and Nance reported the lack of an educational training ground for CFOs, there appears to be a definite pattern toward training in business administration or management and to a lesser extent in educational administration. Significant gains have been made in educational training since the author's initial study in 1973.

The 1983 study suggests that the role of the chief financial officer may be best characterized as the executive coordinate responsible for the business and financial operations of the university.

Recommendations

The following recommendations for additional investigation are suggested as a result of the author's 1983 study.

1. It is recommended that a comparable study investigate several other factors that may account for the variation in the scope of responsibility of CFOs. For example, the scope of responsibility of CFOs may be further defined by a set of more complex factors such as the variables relating to organizational climate.

2. It is recommended that institutions dividing the financial and business responsibilities be studied to provide further insight.

3. It is strongly recommended that higher education administrators and officials encourage potential CFOs to further their formal education in the areas of business administration or management, or educational administration. Comparative results indicate this may already be happening.

4. CFOs should compare their role, relationships, and responsibilities to findings of this study to determine how their position compares with the profile established.

5. This study provided baseline information about the CFO in large public universities. It is recommended that another study attempt to establish the ideal role of the CFO based on the perceptions of high-ranking administrators (e.g., the president, chief academic officer, CFO).

6. It is recommended that a similar study be done for large independent universities for comparative purposes.

7. Since all studies established that the comparative relationship of the CFO and the chief academic officer to the president significantly affects the CFO's scope of responsibility, it is recommended that a further study probe the factors making this relationship statistically significant.

8. It is recommended that a comparable study concerning the chief academic officer's operational role in university administration be undertaken. Such a study may also attempt to establish the ideal role of the chief academic officer based on the perceptions of high-ranking administrators (e.g., president, CFO, chief academic officer). ♦

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